

<HELP> for explanation.
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Equity**FAQD**

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ADJUSTED BETA V. RAW BETA

Explanation:

The Beta of a stock can be presented as either an Adjusted Beta or as a Raw Beta. A Raw Beta is obtained from the linear regression of a stock's historical data. Raw Beta, also known as Historical Beta, is based on the observed relationship between the security's return and the returns on an index. The Adjusted Beta is an estimate of a security's future Beta. Adjusted Beta is initially derived from historical data, but modified by the assumption that a security's true Beta will move towards the market average of one, over time.

The formula used to adjust Beta is:

$$(0.67) \times \text{Raw Bet} + (0.33) \times 1.0$$

The Adjusted Beta corresponds to the Beta in 'X' and the 'DES' page.

To view both forms of Beta:

For example type IBM<EQUITY> BETA<GO>

Related Functions:

1) IBM Equity BETA - Beta Calculations

Related FAQs:

2) BETA

3) UNLEVERED BETA VS. LEVERED BETA